

Message Text

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11

ACTION EB-07

INFO OCT-01 EA-07 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /097 W

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R 220352Z APR 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 6709

INFO USMISSION GENEVA

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, GATT, MTN, KS

SUBJECT: GATT BALANCE OF PAYMENTS COMMITTEE REVIEW - KOREA

REF: (A) GENEVA 1903, (B) 75 SEOUL A-172, (C) 75 SEOUL 6019,
(D) 75 SEOUL 4977 (NOTAL), (E) 75 SEOUL A-45 (NOTAL),
(F) SEOUL A-43 (NOTAL), (G) 75 SEOUL 6411 (NOTAL)

SUMMARY: THE EMBASSY'S REVIEW OF THE ROKG SUBMISSION DOCUMENT FOR THE GATT BALANCE OF PAYMENTS (B.O.P) COMMITTEE REVIEW INDICATES THAT : (1) THE B.O.P. DISCUSSION IS OUTDATED; AND (2) THERE ARE SEVERAL IMPORTANT OMISSIONS IN THE DISCUSSION ON IMPORT RESTRICTIONS DEALING PRINCIPALLY WITH MEASURES AFFECTING MACHINERY IMPORTS. ON THE BASIS OF INFORMAL DISCUSSIONS WITH ROKG OFFICIAL INVOLVED, THE EMBASSY ANTICIPATES KOREA WILL TAKE THE INITIATIVE TO UPDATE THE B.O.P. OUTLOOK, BUT WILL RESIST DISCUSSING THE OMISSIONS IN THE IMPORT RESTRICTIONS SECTION UNLESS PRESSED TO DO SO. THE EMBASSY BELIEVES THESE OMISSIONS, AS DESCRIBED IN THIS CABLE, ARE IMPORTANT AND SHOULD BE RAISED IN THE REVIEW.
END SUMMARY

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1. RE THE SCHEDULED MAY 3 GATT B.O.P. COMMITTEE REVIEW OF KOREA,

THE EMBASSY HAS REVIEWED THE SUBMISSION DOCUMENT DATED MARCH 10, 1976 (B.O.P./152/REV. 1 CITED REF A) AND HAS FOUND IT WANTING IN SEVERAL RESPECTS.

2. THE FIRST PROBLEM RELATES TO THE FACT THAT THE INITIAL SECTION DEALING WITH B.O.P. POSITION AND THE APPENDED STATISTICAL TABLES ARE OUTDATED, COVERING AT MOST THROUGH THE FIRST HALF OF 1975 AND IN SOME INSTANCES ONLY THROUGH END 1974. AS A RESULT, THE B.O.P. DISCUSSION CENTERS ON DEVELOPMENTS IN 1974 AND THE FIRST HALF OF 1975 WHEN THE OIL CRISIS AND SUBSEQUENT INTERNATIONAL RECESSION WERE HAVING THEIR PEAK IMPACT ON KOREA'S B.O.P. AN EXCEPTIONALLY STRONG RECOVERY FOR KOREAN EXPORTS THAT BEGAN IN MID-1975 HAS DRAMATICALLY IMPROVED THE B.O.P. OUTLOOK. THE B.O.P. TABLES BELOW SHOW OFFICIAL ROKG ESTIMATES FOR 1975 AND PROJECTIONS FOR 1976:

KOREAN B.O.P. 1975 - 76

	1ST HALF 1975 #	2ND HALF 1975	FULL YR. 1975	PROJECTED 1976
EXPORTS	2.1	3.0	5.1	6.5
IMPORTS	3.4	3.1	6.5	7.4
VISIBLE TRADE	-1.4	-0.1	-1.4	-0.9
NET INVISIBLE AND TRANSFERS	-0.2	-0.2	-0.4	-0.6
CURRENT ACCOUNT	-1.5	-0.3	-1.8	-1.5
NET LONG-MED- TERM CAPITAL	0.7	0.6	1.3	1.6
NET SHORT-TERM AND OTHERS	0.9	0.2	1.1	-
END PERIOD FX RESERVES	1.1	1.5	1.5	1.6

#REVISED

NOTE: SOME COLUMNS DO NOT ADD DUE TO ROUNDING.

3. ON THE STRENGTH OF FIRST QUARTER 1976 PERFORMANCE, IT APPEARS LIKELY KOREA CAN ACHIEVE AND QUITE POSSIBLY EXCEED ITS 1976 B.O.P. TARGETS. HOWEVER, FACING A PROJECTED CURRENT ACCOUNT LIMITED OFFICIAL USE

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DEFICIT ON THE ORDER OF \$1.5 BILLION, KOREA CONTINUES TO HAVE AMPLE GROUNDS TO JUSTIFY ARTICLE 18 TREATMENT. THE POINT WE WISH TO MAKE IS SIMPLY THAT THE CURRENT SITUATION IS GREATLY IMPROVED OVER THE PESSIMISTIC AND UNCERTAIN PICTURE PORTRAYED IN THE SUBMISSION DOCUMENT.

4. THE SECTIONS ON IMPORT RESTRICTIONS POSE MORE SERIOUS PROBLEMS. THEY ARE ESSENTIALLY ACCURATE AS FAR AS THEY GO, BUT WE FIND

SEVERAL IMPORTANT OMISSIONS. NO MENTION IS MADE OF:

(A) AN ADMINISTRATIVE REQUIREMENT INTRODUCED IN JAN. 1975 AND EXPANDED IN APRIL 1975 PROVIDING THAT IMPORTERS OF MOST MACHINERY ITEMS FALLING UNDER SITC CATEGORIES 6, 7 AND 8 MUST OBTAIN CERTIFICATION FROM THE KOREAN SOCIETY FOR THE ADVANCEMENT OF THE MACHINERY INDUSTRY (KSAMI) THAT THE PROPOSED IMPORT IS NOT PRODUCIBLE DOMESTICALLY. THIS CERTIFICATION IS NEEDED EVEN FOR ITEMS WHICH ARE IN THE "AUTOMATIC APPROVAL" CATEGORY UNDER THE EXPORT-IMPORT PERIODIC NOTICE (OR TRADE PLAN) DESCRIBED IN THE SUBMISSION DOCUMENT (SEE REFS B AND C FOR DETAILS);

(B) THE FACT THAT PART OF THE REVIEW PROCEDURE FOR IMPORT APPLICATIONS SUBJECT TO: (1) THE FOREIGN CAPITAL INDUCEMENT LAW, (2) THE PUBLIC LOAN LAW, (3) THE MACHINERY INDUSTRY PROMOTION LAW, (4) PROCUREMENT PROCEDURES FOR MACHINERY IMPORTS BY GOVERNMENT AGENCIES OR GOVERNMENT-INVESTED ENTERPRISES, OR (5) PROCEDURES FOR IMPORT OF PLANT AND EQUIPMENT FOR FOREIGN EXCHANGE EARNING INDUSTRIES; INVOLVES CHECKING THE PROPOSED IMPORT AGAINST A LIST PERIODICALLY ISSUED BY THE MINISTRY OF COMMERCE AND INDUSTRY DETAILING MINERAL AND INDUSTRIAL PRODUCTS PRODUCIBLE DOMESTICALLY. THE CURRENT LIST, REVISED AS OF FEB. 19, 1976 CONTAINS 957 ITEMS, AND INCREASE OF APPROXIMATELY 100 ITEMS SINCE JULY, 1975 (SEE REFS B AND C FOR DETAILS).

(C) A MACHINERY LOCALIZATION PLAN ANNOUNCED MARCH 19, 1976 ESTABLISHING MINIMUM RATIOS FOR USING DOMESTICALLY PRODUCED COMPONENTS IN PLANT CONSTRUCTION FOR DESIGNATED INDUSTRIES WHEN THE INVESTMENT IS FINANCED BY FOREIGN CAPITAL IN EXCESS OF \$1 MILLION. AT PRESENT THESE RULES APPLY TO ONLY SIX INDUSTRIES, CEMENT, FERTILIZER, ETHANOL, THERMAL POWER, OIL REFINING AND FORMALIN, AND ONLY FOR PLANTS SMALLER THAN CERTAIN SPECIFIED CAPACITIES. THE INTENT OF THE MEASURE IS TO PROMOTE USE OF LIMITED OFFICIAL USE

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DOMESTICALLY PRODUCED MACHINERY AND EQUIPMENT. THE LIST OF AFFECTED INDUSTRIES WILL ALMOST CERTAINLY BE EXPANDED OVER TIME. MINIMUM RATIOS FOR DOMESTIC COMPONENTS IN THE INITIAL PLAN RANGE FROM 19 PERCENT FOR THERMAL POWER PLANTS TO 81 PERCENT FOR FORMALIN FACILITIES.

(D) THE FACT THAT IN THE PAST SEVERAL YEARS AN INCREASING NUMBER OF EXCEPTIONS HAVE BEEN MADE TO THE GENERAL PROVISION OF THE EXPORT-IMPORT PERIODIC NOTICE (TRADE PLAN) WHICH WAIVES RESTRICTIONS FOR IMPORTS OF RAW MATERIAL FOR EXPORT PRODUCTION. A LIST IS NOW MAINTAINED OF COMMODITIES WHICH REQUIRE PRIOR APPROVAL EVEN FOR IMPORT AS RAW MATERIAL FOR EXPORTS, WITH APPROVAL WITHHELD IF AN ADEQUATE SUPPLY IS AVAILABLE FROM DOMESTIC SOURCES. THE LATEST REVISION OF THIS LIST WAS MADE ON APRIL 10, 1976 WHEN 15 ITEMS WERE ADDED TO BRING THE TOTAL NUMBER OF ITEMS TO 65.

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MRN: 1976SEOUL 002952 SEGMENT NUMBER: 000002 ERROR READING TEXT INDEX

FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SEOUL02952
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: CORE1
Film Number: n/a
From: SEOUL
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1976/newtext/t19760431/aaaabagh.tel
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Original Previous Classification: n/a
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Reference: n/a
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Review Authority: izenbei0
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Review Content Flags:
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Review Exemptions: n/a
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Margaret P. Grafeld
Declassified/Released
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04 MAY 2006

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